

FEDERAL DEPOSIT INSURANCE CORPORATION

WASHINGTON, D.C.

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)	
In the Matter of)	
)	CONSENT ORDER
STATE BANK OF TAUNTON)	
TAUNTON, MINNESOTA)	FDIC-10-776b
)	
(INSURED STATE NONMEMBER BANK))	
)	
_____)	

The Federal Deposit Insurance Corporation (“FDIC”) is the appropriate Federal banking agency under Section 3(q) of the Federal Deposit Insurance Act (“Act”), 12 U.S.C. § 1813(q), for State Bank of Taunton, Taunton, Minnesota (“Bank”).

The Bank, by and through its duly elected and currently acting Board of Directors (“Board”), has executed a Stipulation to the Issuance of a Consent Order (“Stipulation”), dated November 4, 2010, that is accepted by the FDIC. With the Stipulation, the Bank has consented, without admitting or denying any charges of unsafe or unsound banking practices or violations of law and/or regulations, to the issuance of this Consent Order (“ORDER”) by the FDIC.

Having determined that the requirements for issuance of an ORDER under Section 8(b) of the Act, 12 U.S.C. § 1818(b), have been satisfied, the FDIC hereby orders that the Bank take the following actions.

A. Within 30 days of the effective date of this ORDER, correct all violations of law and/or regulation, as more fully set forth in the Report of Examination dated June 1, 2010, and covering the period January 20, 2009 through June 1, 2010 (“ROE”), and implement procedures to prevent their recurrence.

B. Within 30 days of the effective date of this ORDER, the Bank shall perform a search of its files for loans originated on or after January 11, 2010 and make monetary reimbursement to affected consumers for failure to properly disclose prepaid finance charges associated with residential real estate loans, or to disclose other charges associated with the Bank's overdraft line of credit product.

1. The Bank shall draft a letter to affected consumers identified in the file search to inform them of the monetary reimbursement. The Bank shall submit that letter or text for the prior approval of the Regional Director of the FDIC's Kansas City Regional Office ("Regional Director").

2. The Bank shall provide monetary reimbursement to affected consumers in the form of a cash payment or a deposit into an existing unrestricted consumer asset account, together with the letter submitted by the Bank and approved by Regional Director.

3. In lieu of providing the reimbursement in the form of a cash payment or deposit, for any consumer whose loan or account is delinquent, in default, or charged off, the Bank may apply all or part of the reimbursement to the amount that is delinquent, in default or charged off if permissible under state law.

4. The Bank shall maintain a complete record of all reimbursements made, including names of consumers and the amount of reimbursement, for review during the FDIC's next compliance examination or visit.

5. If reimbursements are undeliverable for any reason, the Bank shall dispose the funds in accordance with the escheat laws of the state where the consumer is located.

COMPLIANCE OFFICER

1. (a) No more than 60 days from the effective date of this ORDER, the Bank shall have and thereafter retain a qualified Compliance Officer who shall be given written authority by the Bank's board of directors to implement and supervise the Bank's compliance programs, including but not limited to, providing adequate training for the Bank's directors and employees for all consumer laws, rules, and regulations, and establishing controls and procedures to prevent violations of consumer laws, rules and regulations. The Compliance Officer shall report directly to the Bank's board of directors. If a qualified Compliance Officer cannot be appointed within 60 days, the Bank shall obtain an outside consultant to perform the functions of a compliance officer until such time as a qualified Compliance Officer can be obtained.

(b) The Bank shall promptly notify the Regional Director of the identity of the Compliance Officer. If the Bank cannot obtain a Compliance Officer within 60 days and must retain an outside consultant for an interim period, the Bank shall promptly notify the Regional Director of the identity of the outside consultant.

(c) The Bank shall ensure that the Compliance Officer obtains sufficient training, both initially, and on an on-going basis, to effectively perform the duties of a Compliance Officer. All training received by the Compliance Officer shall be documented and maintained for review at subsequent examinations or visits.

(d) The assessment of whether the Bank has a qualified and sufficiently trained Compliance Officer shall be based upon the Bank's record in: (i) complying with the requirements of this ORDER; and (ii) complying with applicable consumer laws, rules, and regulations.

COMPLIANCE PROGRAM

2. (a) No more than 60 days from the effective date of this ORDER, the Bank shall develop and implement comprehensive written compliance policies and procedures for all applicable consumer laws, rules, and regulations. Such policies and procedures shall be sufficiently detailed to provide employees with the information that they need to perform their duties in conformance with applicable laws, rules, and regulations.

(b) The compliance policies and procedures shall expressly include an adequate program for training in the requirements of consumer laws, rules and regulations, to be conducted at least annually for all Bank employees involved in lending and any others whose responsibilities include complying with consumer laws, rules and regulations. Documentation of training shall be maintained, to show the dates training was provided, a list of personnel attending the training, and the subjects and materials covered for each training session.

(c) The written compliance policies and procedures and a description of practices to be adopted by the Bank to comply with this ORDER shall be submitted to the Regional Director for review and comment. No more than 30 days after receipt of any comment from the Regional Director, the Bank's board of directors shall approve the written compliance policies and procedures, including any modifications thereto resulting from comments by the Regional Director, which approval shall be noted in the meeting minutes of the Bank's board of directors. Thereafter, the Bank shall follow the written policies and the practices adopted.

INTERNAL MONITORING

3. (a) Within 60 days of the effective date of this ORDER, the Bank shall develop and implement enhanced internal monitoring procedures. The procedures shall include

establishing internal review procedures whereby loan and deposit disclosures are reviewed for content, compliance with regulatory requirements, and consistency with bank practices by a knowledgeable individual, other than the preparer. Lending-related reviews should address the content, accuracy, and timely distribution of disclosures prior to their issuance.

(b) The Bank shall ensure that deposit and other compliance-related areas are monitored on a continuing basis, to include but not be limited to, a regular review of areas where violations were noted in the ROE dated June 1, 2010.

(c) On a quarterly basis, the Compliance Officer shall provide a written report to the Bank's board of directors, detailing the internal reviews conducted, the findings of those reviews, and recommendations for improvements. The written report should be thoroughly reviewed by the Board and fully documented in the Board's minutes.

(d) The Board shall take action to address the findings, correct any deficiencies noted, and implement any recommendations or explain in writing signed by the Board why a particular recommendation has not been implemented.

EXTERNAL AUDIT

4. (a) Within 60 days of the effective date of this ORDER, the Bank shall revise and update its written procedures for independent compliance audits. Audits shall be conducted by qualified personnel independent from the Bank, with experience in conducting independent audits of compliance programs of banks of a comparable size.

(b) External audits of the Bank's compliance program shall occur at least semiannually, with the first audit to be completed by March 31, 2011, and at a minimum shall:

(i) Define a comprehensive scope;

- (ii) Identify the number of transactions to be sampled by category or product type;
 - (iii) Identify deficiencies;
 - (iv) Provide descriptions of or suggestions for corrective actions and timeframes for correction of any deficiencies; and
 - (v) Establish follow-up procedures to verify that corrective actions are implemented and effective.
- (c) Audit findings, deficiencies, and recommendations must be documented in a written report and provided to the Board. In addition, the audit reports should be thoroughly reviewed by the Board and fully documented in the Board's minutes.
- (d) Within 30 days of the receipt of the independent auditor's written report, the Board shall take action to address audit findings, correct any deficiencies noted, and implement any recommendations or explain in writing signed by the Board why a particular recommendation has not been implemented.

MISCELLANEOUS

Following the effective date of this ORDER, the Bank shall send to its sole shareholder a copy of this ORDER: (1) in conjunction with the Bank's next shareholder communication; or (2) in conjunction with its notice or proxy statement preceding the Bank's next shareholder meeting.

The Bank shall furnish written progress reports to the Regional Director detailing the form and manner of any action taken to secure compliance with this ORDER and the results thereof every 90 days, beginning 90 days from the effective date of this ORDER and continuing every subsequent 90 days until the Regional Director has expressly released the Bank in writing

from making any further reports. In addition, the Bank shall furnish such reports on request of the Regional Director. All progress reports and other written responses to this ORDER shall be reviewed by the Bank's board of directors and made a part of the minutes of the board meeting.

The provisions of this ORDER shall not bar, estop, or otherwise prevent the FDIC, or any other federal or state agency or department from taking any other action against the Bank or any of the Bank's current or former institution-affiliated parties as that term is defined in Section 3(u) of the Act, 12 U.S.C. § 1813(u).

This ORDER will become effective upon its issuance by the FDIC. The provisions of this ORDER shall be binding on the Bank, its institution-affiliated parties, and any successors and assigns thereof.

The provisions of this ORDER shall remain effective and enforceable except to the extent that, and until such time as, any provisions of this ORDER shall have been modified, terminated, suspended, or set aside by the FDIC.

Pursuant to delegated authority.

Dated this 8th day of November, 2010.

/s/ _____
Robert J. Carmona
Deputy Regional Director
Division of Supervision and Consumer Protection
Kansas City Region
Federal Deposit Insurance Corporation